

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

**AUDITOR/CONTROLLER** • 222 West Hospitality Lane, Fourth Floor  
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

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**LARRY WALKER**

Auditor/Controller-Recorder  
County Clerk

**ELIZABETH A. STARBUCK, CGFM**

Assistant Auditor/Controller-Recorder  
Assistant County Clerk

March 6, 2009

To the Board of Supervisors  
County of San Bernardino

Recent changes of our professional standards (Statements on Auditing Standards No. 114) require auditors to communicate with those charged with governance at the conclusion of each financial statement audit. This communication will include our responsibilities under generally accepted auditing standards, an overview of the planned scope and timing of the audit, and significant findings from the audit. The information contained in this communication has been communicated to management during the course of the audit and will be discussed further with management during our exit conference. At that time management will be able to respond to any findings given to them.

We have concluded our audit of the financial statements of the Solid Waste Management Division Enterprise Fund (the Division) for the year ended June 30, 2008, and have issued our report thereon dated December 3, 2008. Per the above mentioned standard, attached you will find a letter intended to provide you with a summary of matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance. The significant findings are described in detail in a separate management letter issued to the Division on February 3, 2009.

Respectfully submitted,

**Larry Walker**

Auditor/Controller-Recorder

By:

Howard Ochi, CPA  
Chief Deputy Auditor

Copies to:

County Administrative Officer  
Administrative Office, Valerie Clay  
Board of Supervisors (5)  
Audit File

Quarterly copies to:

Grand Jury (2)

Date Report Distributed: 3/11/09

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**LARRY WALKER**  
Auditor/Controller-Recorder  
County Clerk

**ELIZABETH A. STARBUCK, CGFM**  
Assistant Auditor/Controller-Recorder  
Assistant County Clerk

December 3, 2008

To the Board of Supervisors  
County of San Bernardino

We have audited the financial statements of the Solid Waste Management Division Enterprise Fund (the Division) of the County of San Bernardino for the year ended June 30, 2008, and have issued our report thereon dated December 3, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities for the fair presentation of the financial statements.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Audit Committee of the County of San Bernardino.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* was implemented for the fiscal year 2008 financial statements.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management estimates were used in calculating depreciation expense and estimating closure and postclosure care costs. We evaluated the key factors and assumptions used in developing these estimates and they appeared reasonable in relation to the basic financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Professional standards also require us to communicate to you material, corrected misstatements that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance. Adjustments for four such misstatements were posted as a result of the audit. The first was an audit adjustment to increase pre-paid expenses by \$2,394,592 based on a difference between the estimated amount paid in accordance with the contract with the landfill operations contractor, and the actual amount of the expense incurred during the fiscal year (significant deficiency #2). This difference between the contract and the actual expense was due to a decrease in tonnage received by the disposal system. The second was to increase receivables and revenues by \$2,014,072 resulting from a discrepancy that occurs between the fiscal year end and the reconciliation of the receivables aging schedule in the third week of the new fiscal year (material weakness #2). System limitations do not allow for reports to be run based on a specified date, causing this understatement of receivables. Division management has expressed plans to implement a year-end procedure to address this system limitation. The third was to increase the closure/post-closure liability by \$616,745 resulting from a correction of a formula error in the computation of the annual closure/post-closure expense and changes to landfill capacity estimates (material weakness #1). The fourth was to increase accumulated depreciation and depreciation expense by \$2,154,312 resulting primarily from the Division engineers' reevaluation of available capacities including accounting for recent landfill expansions (material weakness #1).

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representation from management that are included in the management representation letter dated December 3, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as auditors of the financial statements.

This information is intended solely for the use of the Board of Supervisors, the Audit Committee, and management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By: \_\_\_\_\_

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Chief Deputy Auditor

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